

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TEXAS  
WACO DIVISION

FILED

JTH TAX LLC d/b/a  
LIBERTY TAX SERVICE  
AND  
SIEMPRETAX + LLC,  
Plaintiffs,

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MAY 07 2020  
CLERK, U.S. DISTRICT CLERK  
WESTERN DISTRICT OF TEXAS  
BY *Lad*  
DEPUTY

VS.

Mickey White  
AND  
NATTY'S TAX SERVICE  
Defendants

& Case # 6:20-cv-140-ADA  
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DEFENDANT MICKEY WHITE D/B/A NATTY'S TAX SERVICE  
RESPONSE TO REQUEST FOR TEMPORARY RESTRAINING ORDER  
AND PRELIMINARY INJUNCTION.

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To the Honorable United States District Court.

In response to the JTH and Liberty Tax request for a Restraining Order:

On May 13, 2020 there is a hearing to dismiss suit in federal court and this is evidently a preemptive move before that hearing showing utter disregard to the courts authority.

The sign in the picture shown by Liberty Tax has had a Liberty logo which was clearly painted over before season and was covered completely with a sign for Natty's Tax Service by first of February ,and by libertys own admission they terminated contract February 5. Picture is provided as EXHIBIT A.

All references to Liberty Tax was removed from that office prior to tax season and all employees were instructed that under no circumstances were they to present themselves or the office as Liberty Tax. Notarized statements from all Tax Preparers is in EXHIBIT B.

Liberty Tax, in one picture shows a sign in Spanish from Republic Bank offering Republic Bank loans and are simply hoping that no one can read the sign and that they associate it with a SIEMPRE TAX OFFICE, which I have never owned or operated. In that picture is also a sign that

says get cash now which is also not a trademarked Liberty sign. Liberty has added multiple exhibits of their trademarks none of which is used in our office.

Liberty Tax mentions constantly throughout the motion of their good name and such. That is a false hood.

I left Liberty Tax for various number of reasons. One of the main reasons being their lack of a good name and misrepresentation.

As you can see by exhibit C: There was a lawsuit filed by the IRS against Liberty Tax for fraud and wrongdoing. Liberty settled this by making many concessions, including a large fine and having to be monitored by a 3<sup>rd</sup> party. After news of this lawsuit was settled in December of 2019 and another lawsuit for sexual harassment story appeared on national news copied as EXHIBIT D made the news, any chance of them having a "good reputation" and not becoming a hinderance to my business was gone.

EXHIBIT E shows another class action lawsuit settled in 2019 filed against Liberty and JTH for defrauding investors.

EXHIBIT F Is another class action suit filed against Liberty for defrauding investors once again

EXHIBIT G is pictures of our signs and business cards by which you see has no mention of Liberty Tax as well as all our paperwork customers sign which specifically says Natty's

EXHIBIT H was the final straw, that caused me to leave Liberty. Two of my long-time clients contacted me about an article they read in Forbes magazine and had serious concerns having their name associated with Liberty in any way. The article is attached.

Liberty Tx locked me out of their system, so I can not provide pages of complaints and issues I had with them in 2019, including outright misrepresentation of many issues and falsehoods.

Liberty was told numerous times during March and April of 2019, to sell the franchise as I wanted nothing to do with them and is copied on many issues I am blocked from, I wanted it to be sold because of the deep financial burden they left me in due to the interception of all fees and not leaving enough to cover payroll.

There are numerous complaints and disagreements I had with them. One of the major ones was the so-called no interest loans they were touting to customers and then charging us up to \$200 per loan and forcing us to figure this charge into the fees of the return itself. These fees are clearly shown on breakdown of charges on original complaint.

Then after charging us for the loans, they then charged us royalties on those same fees, even though the franchise agreement, that they are so glad to mention, specifically say "Royalties are charged on net fees." They took kickbacks from Republic Bank of 9 dollars a return that was

suppose to go to the ERO who was filing the returns which was the franchisee and pocketed them to the sum of over 4,000 dollars. They repackaged loans from republic bank that was suppose to be up to half of revenue of IRS accepted returns for early season expenses. Liberty repackaged those loans and charged us 12 percent interest when republic only actually charged 1 percent. Those charges can be seen on their original complaint under early season funding. They also charged us a extra 15 dollars a return telling us it was charges from republic bank which was a lie because it was actually a liberty tax charge but shows on the paperwork to look like a republic bank charge. They also added a electronic filing fee to the client that appeared on the paperwork to look like it was from IRS.

Liberty hit us with an extra 5% advertising fee, yet never ran any National or local advertising in our area of any kind and refused to let us run local radio or print advertising if it could be seen or heard in another franchise territory.

Liberty's deceit and misrepresentations had left me over \$30,000 in debt to outside sources, as they were intercepting all income that went thru them. Then forcing me to beg with them to get money for payroll and other expenses. Hence, making you sign another loan agreement to get it. Also forcing my employees to wait 7 weeks to get their final paycheck. Also verified on issue list they are intentionally blocking me from.

Liberty has a reputation of being high priced. They tell us they charge more, as they give away sodas and snacks and "goody bags" and that most customers get "free" EIC money anyway.

I was not comfortable charging over \$600 for a return as Liberty wanted that can be shown if needed.

Most of my own customers have been with me for over 15 years, long before I was with Liberty. I can not in good conscience continue to do those clients as Liberty Tax, due to the National exposure they have got in the last year, due to the sexual harassment suit against the founder / owner John Hewitt and the fraud suit concerning the company. Several of my clients have businesses, rentals, and investments, that do not deserve the extra scrutiny they get from filing under Liberty Tax.

I have dealt with the IRS for years on both reviews and audits and they are never easy on a client. They should not have to go through that simply because Liberty Tax is on their return.

I was drove to the brink of bankruptcy by Liberty Tax, as they make the majority of their money selling territory's numerous times. Also because of their lack of support and sometimes outright lies.

One particular territory in Killeen, TX is on its 5<sup>th</sup> owner in 8 years.

Liberty keeps using the term: Their Files"

Evidently, they are not familiar with their own system. As it is an internet-based system, which you log into through them to see customer files.

As of Jan 20, 2020, we were denied access to their system. We handed out cards with the Harker Heights phone # on for those wishing to get copies or to file their taxes with a Liberty Tax office.

The only files at the office are those which I am required to keep on hand i.e... signed consent forms and a summary sheet, which they are more than welcome to if they want them but we know that isn't the issue. As the IRS requires electronic copies and Liberty requires electronic signatures, therefor they have all files on their system.

They loosely use the term liberty systems, implying that the computers belong to them, which they do not. All systems in the office were purchased by me and all the programs were also purchased by me and none have liberty software on them.

AS the Liberty system is an online system, in which you must be logged in thru Liberty Tax to access, there is no such thing as a liberty system or software as any tech person can tell you.

They use the term "Liberty Secrets"

Their so-called secrets are to teach someone to do taxes in a 2-week rapid course and pay them minimum wage up to the end of peak and let them go. They also had a promise preparers bonus's of 2% , which most are not allowed to work the whole season, so do not receive a bonus.

I pay my preparers \$10 an hour and a 5% for their bonus and each has a minimum 5 years experience..

Another "secret" was the \$50 Cash in a Flash. Liberty would want you to put \$50 in front of the customer for them to focus on, while telling them what their refund would be after all the fees so they wouldn't notice you charging them 600 dollars. We did not keep any money at the preparers desk, We would ask when they were about done with the return if they wanted the \$50 and also explain that the money was already included in with the cost to the return and what all the fees were and if they didn't want it would taken off the bill and we never charged the outrageous fees liberty wanted us too.

We were criticized by Liberty for doing it this way.

Another so called secret, was to have a person dressed in a Statue of Liberty costume and stand by the road and wave. Once again, something I never did. I had wavers but did not use them in that way.

Liberty Tax has inserted "undue harm " being done by me opening my own tax office. Claiming that it has harmed them in Killeen, Tx. Which is approx. 30 miles from my location.

My first year working as Liberty Tax, I brought so many of my own clients to my office, that the office was ranked #3 in the Nation and that grew that office by 120%. After 3 years my clients and the other tax preparers personal client, who have followed them from other locations, and a few referrals are all that are left, due to Liberty's high fees.

The following is a summary of Liberty Tax in Bell County Texas, which cover the Temple and Killeen areas.

Temple 31<sup>st</sup> street, closed after 2 yrs. Was reopened as a Corp office and lasted 3 months and was closed.

East Adams office closed after 3 years, then took over by me for 3 years and is now closed.

Another 31<sup>st</sup> st office 1 year

The Belton office lasted 1 tax season and closed.

Killeen – East Rancier office closed after 1-month 2<sup>nd</sup> Rancier office closed after 2 years  
West Rancier office closed after 2 years. Was sold and closed in 2 years again  
Ft. Hood office was ran by 2 different owners. 1 lasted 2 years and the other 3 years.  
Veterans Memorial Blvd. one owner lasted 14 months and another lasted 3 months.

The only 2 offices left in the Region, that lasted more than 3 years, is 1 office on W.S. Young and 1 office in Harker Heights. They are small offices with little profit.

They also had an office in Copperas Cove, Tx. The next town West of Killeen, that only lasted one year.

In the last 5 years, I have survived a tornado, which destroyed just about everything I owned, a divorce, and a massive stroke. I can honestly say that the worst that I have been through is dealing with Liberty Tax and the constant stress of all the false promises they have brought on me. My stroke happened inside the office and I was told by doctor was brought on by stress and it happened during peak after fighting with liberty for 3 days over their systems not working and us loosing customers because of it.

With the restraining order of not doing taxes – Liberty is trying to force me to not make a living for me and my daughter.

They are aware that I am disabled and can't use my left arm from my stroke and can not obtain any other type of employment.

By contract, a franchise agreement is null and void if a franchisor brings undue burden on a franchisee, by their actions or by requiring things not in a franchise agreement.

In December of 2019 – prior to the tax season, I was burdened by Liberty's unscrupulous actions and was informed that I had to purchase a scanner, from one of their providers for \$500 and have to pay to have someone in the back room scanning clients documents into the system to send them to the Corp office to approve before we could transmit,

We were also told not to tell the customers, as Liberty didn't want them to know that their loans may be delayed, waiting on Liberty. I in good conscience can not deceive customers as they ask just like they ask us to pretend they are no interest loans which they are not.

Loans were provided by the same bank sometime in minutes as I know because of using same bank for loans this year and customers were explained interest amount and had the choice to accept or not and if they did not get the loan they were not charged any interest – where through Liberty could take a couple days and if they take the loan through liberty since liberty is bumping up the fees to cover the loan the customer is stuck paying the fees rather they get the loan or not.

In the franchise agreement, Liberty is supposed to provide a tax program customer and technical support. In 2019 I never once seen a Liberty rep the entire tax season. When I needed any form of support, I would have to send an issue by email and wait sometimes a few days to get a response because you cannot reach anyone any other way. The office lost clients because of this.

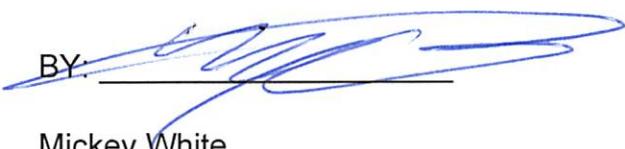
Liberty Lures you in with many false promises and once they have your money, you lose contact and support with them and the only contact source you have is the A.D.

Promises were made to me by Libertys A.D Jay Conteras on the Killeen Office and certain assurances given that all turned out to be false. These promises and assurances were all pointed out of the issue list in 2019. As you can see on the IRS filing Liberty operates similar to Amway and Mary Kay where the more people the A.D brings in the more he makes because he receives half the royalties on that location and everytime he sells a territory or resells it when someone goes under he receives a large commission. So it makes it in the best interest of the A.D to keep selling the same territory over and over. JAY Conteras is no longer with liberty for unknown reasons. Liberty was told many times of the promises made and assurances given by him but would not even respond to me because they did not care. I have spoke with 2 other franchisees that went under because of same reason and false promises from the abovementioned individual. This is why I request the following considerations from the Court.

I ask that the plaintiffs to provide a summary of all of the Liberty territories' that have closed and resold in the last 5 yrs because by sec filings liberty has half as many offices as they did 5 years ago and as you can see by the above examples most have changed hands many times. Also, how many times that they have been resold. I also ask the Plaintiffs to provide a copy of all issues I filed with them for the years of 2017 thru 2019 which shows when I ask for offices To be sold as well as fighting and begging for support and payroll. Technical issues and customer issues.

I assert all the above to be true to the best of my knowledge and can provide statements from ex franchisees to support this.

Respectfully submitted

BY: 

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DEFENDANT PRO SE ON BEHALF OF  
MICKEY WHITE D/B/A Natty's Tax  
Service